Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 KINGST 00159 110000Z
ACTION SS-25

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S E C R E T KINGSTON 0159

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FOR ARA AND EB

E.O. 11652: XGDS-1
TAGS: EFIN, JM
SUBJECT: JAMAICA TO REJECT IMF FINANCING ROUTE

REF: STATE 00319"4#

1. I MET WITH BANK OF JAMAICA GOVERNOR ARTHUR BROWN IN HIS OFFICE JANUARY 10 TO GET HIS VIEWS ON DIRECTION GOJ IS LIKELY TO TAKE IN THE ECONOMIC PROGRAM TO BE ANNOUNCED JANUARY 19. BROWN SPOKE DIRECTLY TO THE ISSUE IN A FRANK, OFF-THE-RECORD, PRESENTATION. HE SPECIFICALLY REQUESTED THAT HE NOT BE QUOTED.

2. BROWN SAID THE GOJ HAS DECIDED TO GO THE "SELF-RELIANCE ROUTE" RATHER THAN TO THE IMF TO SOLVE ITS CURRENT ECONOMIC PROBLEMS. HE SAID TIGHT EXCHANGE CON-TOLRS, MODIFIED ONLY SLIGHTLY FROM THOSE ALREADY IN EXISTANCE, WOULD REMAIN IN EFFECT AFTER JANUARY 19. THE NEW PROGRAM WOULD INVOLVE "TREMENDOUS SACRIFICES, A TIGHT INCOMES POLICY, AND A SUBSTANTIAL CHANGE IN MANY PEOPLE'S CONSUMPTION PATTERNS." (HE EXPRESSED
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HOPE THAT DEBT RE-SCHEDULING WOULD NOT BE NEEDED.)
HE SAID THE PRIME MINISTER'S SPEECH OF JAN 5 ACCURATELY SETS OUT THE MANLEY ADMINISTRATION'S ATTITUDE TOWARD THE CURRENT SITUATION.

3. BROWN ALSO SAID THAT THE GOVERNMENT HAD REJECTED THE ECONOMIC PROGRAM HE AND A HANDFUL OF OTHER

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TECHNICANS HAD DEVELOPED. THE PRIME MINISTER HAD BEEN "UNWILLING TO PAY THE COSTS (IN PEOPLE TERMS) OF THE TECHNICANS' PROGRAM." THE PRIME MINISTER HAD ALSO REJECTED A DEVALUATION OF THE JAMAICA DOLLAR. IN THIS HE HAD BEEN SUPPORTED BY BOTH THE POLITICAL RIGHT AND LEFT.

4. BROWN RAN DOWN THE PLUSES OF THE GOJ'S POSITION NOTING THAT IN THE LONG RUN SELF-RELIANCE WAS IN JAMAICA'S INTEREST. HE EXPRESSED THE HOPE THAT "NATIONAL MOBILIZATION" MIGHT SUCESSFULLY INSTILL THE WORK ETHIC INTO JAMAICA. HE POINTED TO THE ABSENCE OF SUCH AS BEING AT THE BASE OF ALL JAMAICA'S PROBLEMS.

5. I ASKED HIM IF THE DECISION TO GO THE "NON-IMF" ROUTE WAS IRREVERSABLE, AND HE RTPLIED THAT THIS WUULD INDEED BE DIFFICULT IN VIEW OF THE PRIME MINISTER'S STATEMENTS AND THAT HE ESTIMATED THE GOVERNMENT'S POSITION AS 90 TO 10 IN FAVOUR OF THE "SELF-RELIANT" ROUTE.

6. IN RESPONSE TO A QUESTION ABOUT HIS OWN FUTURE PLANS, BROWN SAID HE WAS OBLIGED TO SERVE OUT HIS CURRENT CONTRACT WHICH DOES NOT EXPIRE UNTIL JUNE, AT WHICH TIME HE WOULD QUALIFY FOR A PENSION OF TWO-THIRDS OF HIS PRESENT SALARY. HE DID NOT SAY HE WOULD LEAVE THEN, BUT THE IMPLICATION WAS CLEAR.

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7. COMMENT: A) BROWN'S PRESENTATION LEAVES LITTLE ROOM FOR INTERPRETATION. THE GOJ HAS CLEARLY MADE UP ITS MIND AND I BELIEVE THERE IS LITTLE WE CAN DO TO INFLUENCE THE MATTER. ACCORDINGLY, A REPRESENTATION IN WHICH WE EXPRESS OUT CONCERN AND URGE SUPPORT FOR THE IMF, AS OUTLINED REFTEL, SEEMS UNLIKELY TO HAVE ANY DIRECT EFFECT. I THEREFORE DO NOT FEEL WE SHOULD UNDERTAKE SUCH AN EFFORT UNLESS WE HAVE AN OVER-RIDING INTEREST IN PUTTING OUR SUPPORT FOR THE IMF ON THE RECORD. IF WE DECIDE WE WOULD GO THIS ROUTE, WE SHOULD DO SO IN A WAY WHICH DOES NOT FORECLOSE OUR OPTIONS IF, AS EXPECTED, THE IMF AND ITS PROGRAM GET THE COLD SHOULDER ON JANUARY 19.
B) WE MUST ALSO NOW GIVE CONSIDERATION TO OUR OWN BILATERAL ASSISTANCE PROGRAMS WITHIN THE CONTEXT OF MANLEY'S "SELF-RELIANCE" POLICY. FINAL CONSIDERATION ON ANY FORMS OF ASSISTANCE MUST NECESSARILY AWAIT THE JANUARY 19 ANNOUNCEMENT. HOWEVER, AS OF

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NOW IT WOULD APPEAR WE WILL HAVE TO FIND A MIDDLE
GROUND IN ORDER TO AVOID UNDERCUTTING THE IMF.
GERARD

NOTE BY OC/T: #AS RECEIVED.

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